

EMINENCE INDEPENDENT BOARD OF EDUCATION

**BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS**

Year ended June 30, 2005

EMINENCE INDEPENDENT BOARD OF EDUCATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2005

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	13
Statement of Net Assets – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Statement of Fiduciary Net Assets – Fiduciary Funds	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	18
Notes to the Basic Financial Statements	19-27
Supplementary Information:	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	28
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	29
Statement of Receipts, Disbursements, and Fund Balances High School Activity Funds	30
Statement of Receipts, Disbursements, and Fund Balances Recap of Activity Funds	31
Schedule of Expenditures of Federal Awards	32
Notes to the Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34
Schedule of Prior Year Audit Findings	35
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	
	36
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	
	37-38
Management Letter Comments	39
Response to Management Letter	40

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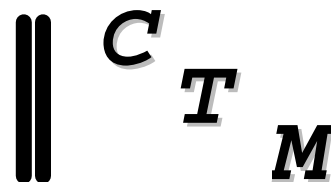
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INDEPENDENT AUDITOR'S REPORT

Members of the Eminence Independent
Board of Education
Eminence, Kentucky

We have audited the accompanying basic financial statements of the Eminence Independent Board of Education as of June 30, 2005 and for the year then ended, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2005 and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 31, 2005, on our consideration of Eminence Independent Board of Education's internal control structure and a report dated October 31, 2005, on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information shown on pages 28 through 31 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on pages 32 and 33 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Charles T. Mitchell Co.

October 31, 2005

Eminence Independent Board of Education – Eminence, Kentucky
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2005

This section of the Eminence Independent Board of Education's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2005. Please read it in conjunction with the additional information found within the body of the audit.

Financial Highlights

The following major renovation or construction related projects occurred during this year:

- The firm of Roederer Construction, Inc. was awarded the final bid to build the new central office at a cost of \$257,438. Construction was completed and the building was ready to occupy May 26, 2005.
- An extended parking lot was added to the construction cost of the new central office in the amount of \$32,864.
- Additional playground equipment was purchased at the cost of \$21,822 with the Carol White Physical Fitness grant funds and was installed on the Elementary School playground area.
- Repairs for the tornado damage to the school athletic field complex and the upgrading of field lighting were completed at the cost of \$223,719. Property insurance paid \$200,000 of this expense.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statement, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the district operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finances most of these activities.
- Business-type activities – The District charges fees to help it cover the costs of certain services it provides. The District's community education programs and food service are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District has three kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship between them.
- Proprietary funds – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for the intended purpose and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-28 of this report.

Financial Analysis of the District as a Whole

The District's combined net assets were approximately \$838.5 thousand at June 30, 2005. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by bond covenants, enabling legislation, or other legal requirements – was \$463,019 at June 30, 2005.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students: consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1
Eminence Independent Board of Education's Net Assets

	Governmental Activities		Business-type Activities		School District Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Current and other assets	\$ 433,142	\$ 586,611	\$ 25,033	\$ 32,821	\$ 458,175	\$ 619,432	26%
Capital assets	<u>2,388,183</u>	<u>2,622,699</u>	<u>31,356</u>	<u>24,162</u>	<u>2,419,539</u>	<u>\$ 2,646,861</u>	9%
Total assets	2,821,325	3,209,310	56,389	56,983	2,877,714	3,266,293	12%
Long-term debt outstanding	2,318,449	2,192,962			2,318,449	2,192,962	-6%
Other Liabilities	<u>80,976</u>	<u>233,028</u>	<u>64</u>	<u>1,763</u>	<u>81,040</u>	<u>234,791</u>	65%
Total Liabilities	2,399,425	2,425,990	64	3,626	2,399,489	2,427,753	1%
Net assets							
Invested in capital assets, net of related debt	249,066	322,425	31,356	24,162	280,422	346,587	19%
Restricted		28,935				28,935	0%
Unrestricted	<u>172,834</u>	<u>431,960</u>	<u>24,969</u>	<u>31,059</u>	<u>197,803</u>	<u>463,019</u>	57%
Total net assets	<u>\$ 421,900</u>	<u>\$ 783,320</u>	<u>\$ 56,325</u>	<u>\$ 55,221</u>	<u>\$ 478,225</u>	<u>\$ 838,541</u>	43%

Note: Totals may not add due to rounding

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets: invested in capital assets-net of related debt restricted, and unrestricted. This means that the District has enough available resources to cover all outstanding obligations, including non-capital liabilities (such as compensated absences) as of June 30, 2005, with resources left over to use for next year's operations.

The District's total revenues were \$5.03 million. (See Table A-2)

Table A-2

Eminence Independent Board of Education's Net Assets

	Governmental Activities		Business-type Activities		School District Total		Total Percentage Change
	2004	2005	2004	2005	2004	2005	2004-2005
Revenues							
Program Revenues							
Charges for Services	\$ 8,775	\$ 13,410	\$ 200,623	\$ 204,627	\$ 209,398	\$ 218,037	4%
Federal and State Grants	1,071,345	537,612	141,095	161,965	1,212,440	699,577	-73%
General Revenues							
Taxes	734,637	789,083			734,637	789,083	7%
State formula aid	2,493,339	3,063,615		3,087	2,493,339	3,066,702	19%
Other	45,933	256,242	192	121	46,125	256,363	82%
Total Revenues	4,354,029	4,659,962	341,910	369,800	4,695,939	5,029,762	7%
Expenses							
Instruction related	2,738,726	2,623,094			2,738,726	2,623,094	-4%
Student support services	552,759	543,286			552,759	543,286	-2%
Maintenance and operations	347,183	337,388			347,183	337,388	-3%
Administration	522,434	577,174			522,434	577,174	9%
Other	133,781	217,601	325,801	370,903	459,582	588,504	22%
Total Expenses	4,294,883	4,298,543	325,801	370,903	4,620,684	4,669,446	1%
Excess/(deficiency)							
before special items	59,146	361,419	16,109	(1,103)	75,255	360,317	79%
Special items							
Increase/(decrease)							
in net assets	<u>\$ 59,146</u>	<u>\$ 361,420</u>	<u>\$ 16,109</u>	<u>\$ (1,103)</u>	<u>\$ 75,255</u>	<u>\$ 360,317</u>	79%

Note: Totals may not add due to rounding

The District's expenses are predominantly related to educating and caring for students (68 percent). The purely administrative activities of the District accounted for just 12 percent of total costs. Total revenues exceeded expenses, increasing net assets \$360,317 over last year.

Budgetary Implications

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2 percent contingency. The District adopted a budget with \$222,526 (6.99%) in contingency.

No significant board actions were required concerning fiscal matters during fiscal year 2005. The Board, however, was prepared to deal with anticipated budget issues due to the uncertainty of state funding. Throughout the fiscal year we were advised of possible appropriation adjustments that would negatively affect the District's state allocation.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS	Governmental Activities	Business- Type Activities	Total
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ 231,282	\$ (5,563)	\$ 225,719
Inventory		5,884	5,884
Accounts Receivable	287,461	32,500	319,961
Notes Receivable			-
Capital Bond Issuance Costs	81,802		81,802
Less Accumulated Amortization	(13,934)		(13,934)
Total Current Assets	<u>586,611</u>	<u>32,821</u>	<u>619,432</u>
<u>Noncurrent Assets</u>			
Capital Assets	4,286,337	59,771	4,346,108
Less: Accumulated Depreciation	(1,663,638)	(35,609)	(1,699,247)
Total Noncurrent Assets	<u>2,622,699</u>	<u>24,162</u>	<u>2,646,861</u>
 TOTAL ASSETS	 <u>\$ 3,209,310</u>	 <u>\$ 56,983</u>	 <u>\$ 3,266,293</u>
 LIABILITIES			
<u>Current Liabilities</u>			
Accounts Payable	\$ 18,252	\$ 1,763	\$ 20,015
Plansource Payable	8,172		8,172
Deferred Revenue	49,514		49,514
Workers' Compensation	17,942		17,942
Due to Other Funds			
Current Portion of Bond Obligations	119,307		119,307
Current Portion of School Bus Lease Obligation	19,841		19,841
Current Portion of Accrued Sick Leave			
Total Current Liabilities	<u>233,028</u>	<u>1,763</u>	<u>234,791</u>
<u>Noncurrent Liabilities</u>			
Noncurrent Portion of Bond Obligations	2,014,837		2,014,837
Noncurrent Portion of School Bus Lease Obligation	146,289		146,289
Noncurrent Portion of Accrued Sick Leave	31,836		31,836
Total Noncurrent Liabilities	<u>2,192,962</u>		<u>2,192,962</u>
 TOTAL LIABILITIES	 <u>\$ 2,425,990</u>	 <u>\$ 1,763</u>	 <u>\$ 2,427,753</u>
 NET ASSETS			
Invested in Capital Assets	\$ 2,622,699	\$ 24,162	\$ 2,646,861
Restricted For:			
Capital Projects	(38,933)		(38,933)
Debt Service	(2,300,274)		(2,300,274)
Other Purposes	67,868		67,868
Unrestricted	<u>431,960</u>	<u>31,059</u>	<u>463,019</u>
 TOTAL NET ASSETS	 <u>\$ 783,320</u>	 <u>\$ 55,221</u>	 <u>\$ 838,541</u>

The notes to the basic financial statement are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
Instruction	\$ 2,623,094	\$ 13,410	\$ 537,612		\$ (2,072,071)	\$	\$ (2,072,071)
Support Services:							
Student	111,113				(111,113)		(111,113)
Instruction Staff	220,102				(220,102)		(220,102)
District Administrative	322,471				(322,471)		(322,471)
School Administrative	254,703				(254,703)		(254,703)
Business	52,617				(52,617)		(52,617)
Plant Operation and Maintenance	337,388				(337,388)		(337,388)
Student Transportation	120,178				(120,178)		(120,178)
Central Office							
Facilities Acquisition and Construction							
Community Service Activities	39,276				(39,276)		(39,276)
Other	53,520				(53,520)		(53,520)
Interest on Long-Term Debt	105,134				(105,134)		(105,134)
Depreciation	58,947				(58,947)		(58,947)
Total Governmental Activities	4,298,543	13,410	537,612		(3,747,520)		(3,747,520)
Business-Type Activities:							
Food Service	283,593	122,578	161,965			950	950
Multi-Year	87,310	82,049				(5,261)	(5,261)
Total Business-Type Activities	370,903	204,627	161,965			(4,311)	(4,311)
Total Primary Government	\$ 4,669,446	\$ 218,037	\$ 699,577	\$	(3,747,520)	(4,311)	(3,751,831)
General Revenues:							
Taxes:							
Property Taxes					574,056		574,056
Motor Vehicle Taxes					68,614		68,614
Utility Taxes					146,413		146,413
Revenue-In-Lieu-Of-Taxes					11,156		11,156
Investment Earnings					12,764	121	12,885
State and Formula Grants					2,505,486	3,087	2,508,573
Gains on Sales of Fixed Assets							
Transfers							
On Behalf Payments					585,532		585,532
Miscellaneous					204,920		204,920
Total General Revenues					4,108,940	3,208	4,112,148
Change in Net Assets					361,421	(1,103)	360,317
Net Assets - Beginning					421,900	56,325	478,225
Net Assets - Ending					\$ 783,321	\$ 55,222	\$ 838,542

The notes to the basic financial statement are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Special Revenue	Building Fund	Other Governmental Funds	Totals Governmental Funds
ASSETS AND RESOURCES					
Cash & cash equivalents	\$ 403,655	\$ (195,829)	\$ 23,456	\$	\$ 231,282
Accounts Receivable					
Accounts Receivable	42,118	245,343			287,461
Notes Receivable					
Dues from other funds					
TOTAL ASSETS AND RESOURCES	<u>\$ 445,773</u>	<u>\$ 49,514</u>	<u>\$ 23,456</u>	<u>\$</u>	<u>\$ 518,743</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 18,252	\$	\$	\$	\$ 18,252
Plansource Payable	8,172				8,172
Workers' Compensation	17,942				17,942
Deferred Revenue		49,514			49,514
Total Liabilities	<u>44,366</u>	<u>49,514</u>			<u>93,880</u>
Fund Balances					
Reserved for:					
Encumbrances					
SBDM					
Future Construction Projects				(38,933)	(38,933)
Technology Escrow					
KSFCC Escrow					
Accrued Sick Leave					
Unreserved:					
General Fund	401,407				401,407
Special Revenue Funds					
Capital Projects Funds			23,456	38,933	62,389
Total Fund Balances	<u>401,407</u>		<u>23,456</u>		<u>424,863</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 445,773</u>	<u>\$ 49,514</u>	<u>\$ 23,456</u>	<u>\$</u>	<u>\$ 518,743</u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balance per Fund Financial Statements	\$ 424,863
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not reported in this fund financial statement because they are not current financial resources, but they are reported in the statement of net assets.	2,690,567
Certain liabilities(such as bonds payable, the long-term portion of accrued sick leave) are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.	<u>(2,332,110)</u>
Net Assets for Governmental Activities	<u>\$ 783,320</u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General Fund	Special Revenue	FSPK Building Fund	Other Governmental Funds	Totals
Revenues:					
From local sources:					
Taxes:					
Property	\$ 511,275	\$	\$ 62,781	\$	\$ 574,056
Motor Vehicle	68,614				68,614
Utilities	146,413				146,413
Revenue-In-Lieu-of Taxes	11,156				11,156
Other	1,237		209		1,446
Tuition and fees		13,410			13,410
Earnings on Investments	12,690	74			12,764
Other local revenues	38,150	60,323		105,000	203,473
Intergovernmental - State	2,709,518	206,278	94,300	53,520	3,063,616
Intergovernmental - Indirect federal	16,455	521,157			537,612
Intergovernmental - Direct federal					
Total Revenues	<u>3,515,508</u>	<u>801,242</u>	<u>157,290</u>	<u>158,520</u>	<u>4,632,560</u>
Expenditures:					
Instruction	2,131,782	589,780			2,721,562
Support Services:					
Student	49,611	61,503			111,114
Instructional staff	121,849	98,252			220,101
District administration	321,156	1,315			322,471
School administration	252,685	2,018			254,703
Business	51,253	1,364			52,617
Plant operations and maintenance	322,861	14,527			337,388
Student transportation	114,569	5,609			120,178
Central office					
Food Services					
Community Service		39,276			39,276
Facilities acquisition & construction				298,629	298,629
Debt Service					
Principal	39,429		74,178		113,607
Interest	9,738		59,656		69,394
Other				53,520	53,520
Total Expenditures	<u>3,414,933</u>	<u>813,644</u>	<u>133,834</u>	<u>352,149</u>	<u>4,714,560</u>
Excess (deficit) of revenues over expenditures	<u>100,577</u>	<u>(12,402)</u>	<u>23,456</u>	<u>(193,629)</u>	<u>(82,000)</u>
Other Financing Sources (Uses):					
Proceeds from sale of assets					
Bond principal proceeds				154,696	154,696
Operating transfers in		7,122			7,122
Operating transfers out	(7,122)				(7,122)
Total Other Financing Sources(Uses)	<u>(7,122)</u>	<u>7,122</u>		<u>154,696</u>	<u>154,696</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	93,455	(5,280)	23,456	(38,933)	72,696
Fund balance July 1, 2004	<u>307,953</u>	<u>5,280</u>		<u>38,933</u>	<u>352,166</u>
Fund balance June 30, 2005	<u>\$ 401,408</u>	<u>\$</u>	<u>\$ 23,456</u>	<u>\$</u>	<u>\$ 424,862</u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2005

Net change in total fund balances per fund financial statements	\$ 72,697
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in this fund financial statement because they use current financial resources, but they are presented as assets in the statement of activities and depreciated over their estimated economic lives. The difference is the amount by which depreciation expense exceeds capital outlays this year.	284,875
Bond and capital lease payments are recognized as expenditures of current financial resources in the fund financial statement but are reductions of liabilities in the statement of net assets.	113,607
Bond Principal Proceeds	(151,447)
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.	<u>41,688</u>
Change in net assets of governmental activities	<u>\$ 361,420</u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
From local sources:				
Taxes:				
Property	\$ 515,154	\$ 527,747	\$ 511,275	\$ (16,472)
Motor Vehicle	70,000	65,181	68,614	3,433
Utilities	125,000	120,000	146,413	26,413
Revenue-In-Lieu-of-Taxes	5,000	4,000	11,156	7,156
Other	1,000	1,000	1,237	237
Tuition and fees				
Earnings on Investments	5,000	5,000	12,690	7,690
Other local revenues	10,100	26,200	38,150	11,950
Intergovernmental - State	2,058,446	2,168,644	2,151,388	(17,256)
Intergovernmental - Indirect federal	10,000	4,000	16,455	12,455
Intergovernmental - Direct federal				
Total Revenues	<u>2,799,700</u>	<u>2,921,772</u>	<u>2,957,378</u>	<u>35,606</u>
Expenditures:				
Instruction	1,621,690	1,694,335	1,636,309	58,026
Support Services:				
Student	43,160	47,288	49,611	(2,323)
Instructional staff	86,712	132,801	121,849	10,952
District administration	501,667	340,984	310,713	30,271
School administration	205,552	257,977	231,800	26,177
Business	44,686	47,659	47,772	(113)
Plant operations and maintenance	347,882	349,463	305,457	44,006
Student transportation	97,086	97,540	104,126	(6,586)
Central office	2,100			
Food Services				
Community Service				
Facilities acquisition & construction				
Debt Service	29,165	29,152	49,167	(20,015)
Other		222,526		222,526
Total Expenditures	<u>2,979,700</u>	<u>3,219,725</u>	<u>2,856,804</u>	<u>362,921</u>
Excess (deficit) of revenues over expenditures	<u>(180,000)</u>	<u>(297,953)</u>	<u>100,577</u>	<u>398,527</u>
Other Financing Sources (Uses):				
Proceeds from sale of assets				
Operating transfers in				
Operating transfers out	(20,000)	(10,000)	(7,122)	2,878
Total Other Financing Sources(Uses)	<u>(20,000)</u>	<u>(10,000)</u>	<u>(7,122)</u>	<u>2,878</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(200,000)</u>	<u>(307,953)</u>	<u>93,455</u>	<u>401,405</u>
Fund balance July 1, 2004	<u>200,000</u>	<u>307,953</u>	<u>307,953</u>	
Fund balance June 30, 2005			<u>\$ 401,408</u>	

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Food Service Fund	Other Enterprise Funds	Total
Assets			
<u>Current Assets</u>			
Cash and Cash Equivalents	\$ (737)	\$ (4,826)	\$ (5,563)
Inventory	5,884		5,884
Accounts Receivable	<u>26,821</u>	<u>5,679</u>	<u>32,500</u>
Total Current Assets	<u>31,968</u>	<u>853</u>	<u>32,821</u>
<u>Noncurrent Assets</u>			
Capital Assets	57,047	2,724	59,771
Less: Accumulated Depreciation	<u>(33,929)</u>	<u>(1,680)</u>	<u>(35,609)</u>
Total Noncurrent Assets	<u>23,118</u>	<u>1,044</u>	<u>24,162</u>
Total Assets	<u><u>\$ 55,086</u></u>	<u><u>\$ 1,897</u></u>	<u><u>\$ 56,983</u></u>
Liabilities			
<u>Current Liabilities</u>			
Accounts Payable	\$ 1,749	\$ 14	1,763
Due to Other Funds	<u></u>	<u></u>	<u></u>
Total Current Liabilities	<u>1,749</u>	<u>14</u>	<u>1,763</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	23,118	1,044	24,162
Unrestricted	<u>30,219</u>	<u>840</u>	<u>31,059</u>
Total Net Assets	<u><u>\$ 53,337</u></u>	<u><u>\$ 1,884</u></u>	<u><u>\$ 55,221</u></u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

	Food Service Fund	Other Enterprise Funds	Total
Operating Revenues:			
Day Care	\$	\$ 82,048	\$ 82,048
Other	50		50
Lunchroom sales	<u>122,528</u>		<u>122,528</u>
Total Operating Revenues	<u>122,578</u>	<u>82,048</u>	<u>204,626</u>
Operating Expenses:			
Salaries and wages	137,600	82,589	220,189
Materials & Supplies	136,220	3,707	139,927
Depreciation Expense	7,194		7,194
Other operating expenses	<u>2,578</u>	<u>1,014</u>	<u>3,592</u>
Total Operating Expenses	<u>283,592</u>	<u>87,310</u>	<u>370,902</u>
Operating income (loss)	<u>(161,014)</u>	<u>(5,262)</u>	<u>(166,276)</u>
Non-Operating Revenues (Expenses)			
Federal grants	161,965		161,965
Donated Commodities			
State Grants	3,087		3,087
Interest income	<u>121</u>		<u>121</u>
Non-Operating Revenues (Expenses)	<u>165,173</u>		<u>165,173</u>
Change in Net Assets	4,159	(5,262)	(1,103)
Other Uses of Funds			
Transfers Out			
Net Assets July 1, 2004	<u>49,179</u>	<u>7,146</u>	<u>56,325</u>
Net Assets June 30, 2005	<u>\$ 53,338</u>	<u>\$ 1,884</u>	<u>\$ 55,222</u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005

Cash Flows from Operating Activities:	
Net Income	\$ (1,104)
Adjustments to reconcile net income to cash provided by operating activities:	
Changes in assets & liabilities:	
Depreciation	7,194
Transfers	
Inventories	(934)
Accounts Receivable	(3,632)
Accounts Payable	<u>(7,447)</u>
Net cash provided by operating activities:	<u>(5,923)</u>
Cash flows from capital & related financial activities:	
Acquisition of capital assets	<u> </u>
Net cash used by capital & related financial activities	<u> </u>
Increase in cash & cash equivalents	(5,923)
Cash and cash equivalents, July 1, 2004	<u>360</u>
Cash and cash equivalents, June 30, 2005	<u><u>\$ (5,563)</u></u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

Assets	Agency Fund
Cash and Cash Equivalents	\$ 13,214
Total Assets	<u>\$ 13,214</u>
Net Assets	
Restricted For:	
Scholarships	\$
Student Groups	<u>13,214</u>
Total Net Assets	<u>\$ 13,214</u>

The notes to the basic financial statements are an integral part of this statement.

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2005

	<u>Agency Fund</u>
Revenues:	
From local sources:	
Student Activities	\$ 103,009
Interest Income	
Contributions	
Total Revenues	<u>103,009</u>
Expenditures:	
Other	
Student Activities	<u>99,478</u>
Total Expenditures	<u>99,478</u>
Excess (deficit) of revenues over expenditures	3,531
Fund balance July 1, 2004	<u>9,660</u>
Fund balance June 30, 2005	<u><u>\$ 13,191</u></u>

The notes to the basic financial statements are an integral part of this statement.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Eminence Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Eminence Independent School District (“District”). The Board receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, as Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Eminence Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board. Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Eminence Independent School District Finance Corporation

Eminence Independent Board of Education resolved to authorize the establishment of the Eminence Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRSS 273 and KRS 58.180) as an agency of the Board for financing the costs of school building facilities. The Board members of the Eminence Independent Board of Education also comprise the corporation’s Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of, normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term inter-fund loans are classified as “inter-fund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive a calculated amount of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “accumulated sick leave payable” in the general fund. The non-current portion of the liability is not reported.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Each budget is prepared at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$269,189. Of the total cash balance, \$200,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2005 consisted of the following:

	Bank Balance	Book Balance
Farmers Deposit	\$ 671,280	\$ 269,189

Breakdown per financial statements:

Governmental funds	\$ 231,282
Proprietary funds	(5,563)
Agency funds	43,470
	<u>\$ 269,189</u>

EMINENCE INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

<u>Governmental Activities</u>	Balance <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2005</u>
Land	\$ 458,676	\$ 14,549	\$	\$ 473,225
Buildings and improvements	2,844,831	260,390		3,105,221
Technology equipment	312,926	(17,210)		295,716
Vehicles	280,779			280,779
General Equipment	38,853	92,543		131,396
Construction	6,450	(6,450)		-
Totals at historical cost	<u>3,942,515</u>	<u>343,822</u>		<u>4,286,337</u>
Less: accumulated depreciation				
Land	131,297	14,948		150,783
Buildings and improvements	1,110,718	46,419		1,157,137
Technology equipment	231,972	(28,570)		203,402
Vehicles	100,665	20,584		121,249
General Equipment	30,039	5,566		35,605
Total accumulated depreciation	<u>1,604,691</u>	<u>58,947</u>		<u>1,663,638</u>
Governmental Activities				
Capital Assets-Net	<u>\$ 2,337,824</u>	<u>\$ 284,875</u>	<u>\$</u>	<u>\$ 2,622,699</u>
 <u>Business-Type Activities</u>				
Food service and equipment	\$ 72,789	\$ (18,317)		\$ 54,472
Technology equipment	<u>5,299</u>			<u>5,299</u>
Totals at historical cost	<u>78,088</u>	<u>(18,317)</u>		<u>59,771</u>
Less: accumulated depreciation				
Food service and equipment	42,747	(11,848)		30,899
Technology equipment	<u>3,985</u>	<u>725</u>		<u>4,710</u>
Total accumulated depreciation	<u>46,732</u>	<u>(11,123)</u>		<u>35,609</u>
Business-Type Activities				
Capital Assets-Net	<u>\$ 31,356</u>	<u>\$ (7,194)</u>	<u>\$</u>	<u>\$ 24,162</u>

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as “unallocated”.

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as current and non-current portions of bond obligations represent the District’s future obligation to make bond payments relating to the bonds issued by the District.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue</u>	<u>Original Principal Amount</u>	<u>Interest Rates</u>	<u>Principal Outstanding at 6/30/2005</u>	<u>Maturity Date</u>
Series of February 1, 2005	\$ 910,000	2%-4.75%	\$ 865,000	11/1/23
Series of November 1, 2001	410,000.00	2.2%-4.1%	310,000.00	11/1/12
Series of July 1, 2000	1,000,000.00	4.85%-5.5%	909,144.00	7/1/20
Series of March 9, 1999	<u>110,000.00</u>	<u>3.7%-4.45%</u>	<u>50,000.00</u>	<u>6/1/09</u>
	<u>\$ 2,430,000</u>		<u>\$ 2,134,144</u>	

EMINENCE INDEPENDENT BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS (continued)

In connection with the school revenue bonds issued after May 1, 1996 the District entered into “participation agreements” with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds as well as KISTA loans described below, may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2005 for debt service (principal and interest) are as follows:

Year	Eminence Independent Board of Education		Kentucky School Facilities Construction Commission		Total
	Principal	Interest	Principal	Interest	
2006	\$ 100,163	\$ 65,419	\$ 19,144	\$ 23,494	\$ 208,220
2007	104,092	62,331	20,125	22,512	209,060
2008	98,959	59,057	21,157	21,480	200,653
2009	102,771	55,722	23,955	21,080	203,528
2010	93,486	52,322	25,135	19,901	190,844
2011	102,106	48,881	26,413	18,623	196,023
2012	110,644	45,102	27,786	17,249	200,781
2013	114,104	40,834	29,238	15,797	199,973
2014	112,454	36,599	30,766	14,268	194,087
2015	120,691	32,432	32,407	12,627	198,157
2016	188,811	27,798	34,161	10,875	261,645
2017	89,244	21,560	36,034	9,021	155,859
2018	92,221	16,761	37,987	7,048	154,017
2019	95,085	11,799	40,090	4,945	151,919
2020	95,445	6,679	39,915	2,723	144,762
2021	10,000	1,540	29,555	813	41,908
2022	10,000	1,100			11,100
2023	10,000	660			10,660
2024	10,000	220			10,220
	<u>\$ 1,660,276</u>	<u>\$ 586,816</u>	<u>\$ 473,868</u>	<u>\$ 222,456</u>	<u>\$ 2,943,416</u>

On February 1, 2005, the District defeased its 1996 bond issue and issued 2005 Refunding Bonds in the amount of \$910,000. The defeasement resulted in a \$45,318 decrease in debt service.

The balance of the long-term debt at June 30, 2005 is a KISTA Small Issuer loan issued from April 1, 2003. The final payment on that loan is scheduled to be in 2013. The payment schedule is as follows:

KISTA Bus Lease		
	Principal	Interest
05-06	\$ 19,841	\$ 5,254
06-07	20,178	4,857
07/08	20,738	4,378
08/09	21,299	3,818
09/10	21,859	3,153
10/11	22,644	2,388
11/12	19,393	1,578
12/13	20,178	787
	<u>\$ 166,130</u>	<u>\$ 26,213</u>

NOTE F – RETIREMENT PLANS

Certified employees are covered under the Kentucky Teachers Retirement System (“KTRS”) which was established under Kentucky Revised Statute 161.220. Funding for the Plan is provided through payroll withholdings of 9.855% and matching state contributions. The matching contributions are paid by the Federal programs for any salaries paid by that program.

Substantially all other employees (classified personnel) are covered under the County Employee’s Retirement System (“CERS”), a cost sharing, multiple-employer, public employers retirement system established under the provisions of Kentucky Revised Statute Section 61.645. Funding for the Plan is provided through payroll withholdings of 5.00% and a District contribution of 8.48% of the employee’s total compensation subject to contribution.

The Board’s total payroll for the year was \$2,528,233. The payroll for employees covered under KTRS was \$2,141,069 and for CERS was \$743,843.

The contribution requirement for CERS for the year ended June 30, 2005 was \$100,271 which consisted of \$63,078 from the District and \$37,193 from the employees. The District has no contribution requirement to KTRS. The contribution requirement for KTRS for the year ended June 30, 2005 was \$232,012 which consisted of \$21,009 from the federal government and \$211,003 from the employees.

Benefits under both plans will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions’ funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

Ten-year historical trend information showing KTRS’s and CERS’s progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2005 comprehensive annual financial reports.

NOTE G - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE H - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers’ Compensation insurance.

NOTE J - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers’ Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

NOTE J - RISK MANAGEMENT (continued)

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE K - DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following fund had operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Special Revenue	\$	5,280
Construction Fund	\$	38,933
Daycare	\$	5,262

NOTE L - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE M - TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	\$ 7,122

SUPPLEMENTARY INFORMATION

EMINENCE INDEPENDENT BOARD OF EDUCATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

	SEEK Capital Outlay Fund	Construction Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets & Resources:			
Cash & cash equivalents	\$	\$	\$
Accounts Receivable			
Accounts Receivable			
Notes Receivable			
Inventory			
Net Property Plant & Equipment			
Dues from other funds			
Amounts to be provided for retirement of General Long-Term Obligations			
Total Assets & Resources	<u>\$</u>	<u>\$</u>	<u>\$</u>
Liabilities & Fund Balances:			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds			
Deferred Revenue			
Total Liabilities	<u> </u>	<u> </u>	<u> </u>
Fund Balances			
Reserved for:			
Encumbrances			
Accrued Sick Leave			
Future Construction Projects		(38,933)	(38,933)
Unreserved:			
General Fund			
Special Revenue Funds			
Capital Projects Funds		38,933	38,933
Debt Service Funds			
Permanent Funds			
Total Fund Balances	<u> </u>	<u> </u>	<u> </u>
Total Liabilities & Fund Balances	<u>\$</u>	<u>\$</u>	<u>\$</u>

EMINENCE INDEPENDENT BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2005

	SEEK Capital Outlay Fund	Construction Fund	Total Nonmajor Governmental Fund
Revenues:			
From local sources:			
Taxes:			
Property	\$	\$	\$
Motor Vehicle			
Utilities			
Other		259,696	259,696
Tuition and fees			
Earnings on Investments			
Student Activities			
Other local revenues			
Intergovernmental - State	53,520		53,520
Intergovernmental - Indirect federal			
Intergovernmental - Direct federal			
Total Revenues	<u>53,520</u>	<u>259,696</u>	<u>313,216</u>
Expenditures:			
Instruction			
Support Services:			
Student			
Instructional staff			
District administration			
School administration			
Business			
Plant operations and maintenance			
Student transportation			
Central office			
Food Services			
Community Services			
Non-Instructional			
Facilities acquisition & construction		298,629	298,629
Debt Service			
Principal			
Interest			
Other	53,520		53,520
Total Expenditures	<u>53,520</u>	<u>298,629</u>	<u>352,149</u>
Excess (deficit) of revenues over expenditures	<u>-</u>	<u>(38,933)</u>	<u>(38,933)</u>
Other Financing Sources (Uses):			
Proceeds from sale of assets			
Proceeds from sale of bonds			
Operating transfers in			
Operating transfers out	(40,400)	40,400	
Total Other Financing Sources(Uses)	<u>(40,400)</u>	<u>40,400</u>	
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses		(38,933)	(38,933)
Fund balance July 1, 2004		38,933	38,933
Fund balance June 30, 2005	<u>\$</u>	<u>\$</u>	<u>\$</u>

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
HIGH SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2005

Accounts	Cash Balances July 1, 2004	Receipts	Disbursements	Transfers	Cash Balances June 30, 2005	Accounts Payable June 30, 2005	Fund Balances June 30, 2005
Athletic Boosters	\$ 45	\$	\$	\$	\$ 45	\$	\$ 45
Athletic Dues			1,115	1,115.00			
Athletic Administration		6,597	605	(5,992.00)			
Banquets & Awards			107	107.00			
Alumni Donation	125				125		125
Football Officials	90	389	2,400	1,921.00			
Football Gate	26	7,805	1,270	(6,561.00)			
Football supplies			825	825.00			
Football Misc.		1,550	1,647	97.00			
Football fundraiser		3,696	6,871	3,175.00			
Boys Basketball Officials			4,185	4,305.00	120		120
Boys Basketball Supplies		166	12	(154.00)			
Boys Basketball Uniforms		133	2,130	1,997.00			
Boys Basketball Misc.		497	4,890	4,393.00			
Boys Basketball Fundraising		3,429	4,124	715.00	21		21
Class A Tournament	52	1,287	51	(1,287.00)	2		2
Boys Basketball Gate	200	8,152	510	(7,838.00)	4		4
District Tournament Boys/Girls		1,059		(969.00)	90		90
Boys Basketball Reg. Tour	693		130	(563.00)			
Jr. Pro Basketball	471	700	1,134		37		37
Girls Basketball Officials	165		2,045	2,020.00	140		140
Girls Basketball Supplies		270	710	440.00			
Girls Basketball Uniforms		180			180		180
Girls Basketball Misc.			903	903.00			
Girls Basketball Fundraising	166	805	1,250	667.00	388		388
Girls Basketball Gate	368	4,652	264	(4,029.00)	727		727
8th Region	535	1,455		(1,884.00)	106		106
Cheerleading Supplies		105			105		105
Cheerleading Misc.			376	376.00			
Cheerleading Fundraising	310	7,758	5,333	(1,814.00)	921		921
Cheerleading Camp	12	600	1,171	559.00			
Baseball Officials			1,573	1,573			
Baseball Supplies			368	368.00			
Baseball Uniforms			96	96.00			
Baseball Misc.		1,830	640	583.00	1,773		1,773
Baseball Fundraising		4,544	2,418	(1,909.00)	217		217
Baseball District Tour.		362			362		362
Baseball Gate		1,375		(1,335.00)	40		40
Softball Officials			1,230	1,410.00	180		180
Softball Supplies			516	516.00			
Softball Misc.		285	373	88.00			
Softball Fundraising	522	1,026	423	(247.00)	878		878
Softball Gate	22	1,122		(1,144.00)			
Track Supplies			79	79.00			
Track Smisc.			45	45.00			
Volleyball Officials	32		1,225	1,193.00			
Volleyball Gate	326	1,440	14	(1,567.00)	185		185
Volleyball Fundraiser	389	2,220	2,386	(223.00)			
Volleyball Supplies	72		224	152.00			
Volleyball Misc.		168	614	446.00			
Sr. Drama Club	10	861	190		681		681
Sr. Beta Club		370	236	(131.00)	3		3
Pep Club	14				14		14
FBLA	562	168	496	14.00	248		248
FCA		75	192	117.00			
Latin/Spanish Club	383				383		383
Agricultural Club	401	68	208	374.00	635		635
FEA	1,150			(1,150.00)			
JKG	146				146		146
Seniors 01		9,208	9,257	592.00	543		543
Juniros 02	235	342			577		577
Sophomores 03	276	40		287.00	603		603
Freshmen 04		330			330		330
Band	294	3,765	3,517		542		542
Principal's Account	1,000	3,245	3,170	(682.00)	393		393
Bookstore			207	207.00			
Textbook Rental Collection	70	7,623	9,992	2,415.00	116		116
Misc.		225	705	480.00			
General		5,804	9,972	4,168.00			
Music Fundraiser	40				40		40
Field Trips		1,687	1,899	212.00			
Education Foundation	135				135		135
Activity Fee	40	75			115		115
Alumni Votes	104				104		104
Media	90	2,615	2,271	202.00	636		636
PTSA		180			180		180
P.E. Fundraiser	4	673	888	270.00	59		59
Academic Excellence	83				83		83
Total	\$ 9,658	\$ 103,011	\$ 99,482	\$ 23	\$ 13,212	\$	\$ 13,212

EMINENCE INDEPENDENT BOARD OF EDUCATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES
RECAP OF ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2005

		Cash Balances July 1, 2004	Receipts	Disbursements	Cash Balances June 30, 2005	Accounts Receivable June 30, 2005	Accounts Payable June 30, 2005	Fund Balances June 30, 2005
	<u>School</u>							
Elementary School		\$ 17,860	\$ 52,818	\$ 47,123	\$ 23,555	\$	\$	\$ 23,555
Middle School		10,022	69,599	72,897	6,724			6,724
High School		<u>9,660.00</u>	<u>103,009.00</u>	<u>99,478.00</u>	<u>13,191.00</u>			<u>13,191.00</u>
Total		<u>\$ 37,542</u>	<u>\$ 225,426</u>	<u>\$ 219,498</u>	<u>\$ 43,470</u>	<u>\$</u>	<u>\$</u>	<u>\$ 43,470</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EMINENCE INDEPENDENT BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

	CFDA Number	Pass- Through Number	Award Amount	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Passed through the Kentucky Department of Education National School Lunch	10.555	0575-05-02 0575-04-02	\$ 55,326 28,574	\$ 55,326 28,574
National School Breakfast	10.553	0576-05-05 0576-04-05	22,217 9,299	22,217 9,299
Summer Meal	10.559	0574-05-23	11,042	11,042
	10.559	0569-05-24	1,141	1,141
State Match	10.555	0575-05-08	3,087	3,087
Passed through the Kentucky Department of Agriculture Food Distribution (In-Kind Commodities)	10.550			10,500
Total U.S. Department of Agriculture				<u>141,186</u>
<u>U.S. DEPARTMENT OF LABOR</u>				
Passed Through Kentucky Department of Education JOBS for America	17.259	0274-05-01	18,724	18,724
Total U.S. Department of Labor				<u>18,724</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Direct Program				
REAP	84.358A	3465 3464	11797 9057	14,590 2,858
C White PE	84.215F	5324F	85959	21,822
Passed Through Kentucky Department of Education Title I	84.010A	0531-05-01 0531-04-01	118,233 124,515	97,705 14,987
Title I-C, Migrant	84.011A		13,334	13,334
Title I, Part C	84.048	0462-05-32	3,584	3,584
IDEA-Part B, Preschool	84.173	0587-05-02	3,827	3,827
IDEA, Part B, Basic	84.027	0581-05-02 0581-04-02	115,945 101,083	115,945 8,350
Title II, D	84.318X	0736-05-02	3,346	3,346
Title II, Teacher Quality	84.281A	0710-05-02 0710-04-02	34,809 34,537	34,809 1,539
Title III, English Language	84.365A	3465 3464	4,566 2,242	4,566 338
Title IV	84.186A	0590-05-02	3,733	3,733
Title V	84.298	0533-05-02 0533-04-02	2,353 2,958	2,353 2,958
21st Century Community Learning	84.287	0744-05-03 0744-04-03	129,909 129,909	25,804 105,657
Gear-Up	81.173	0587-05-02 0587-04-02	10,350 14,848	11,286 1,283
Reading First	84.357		7,760	7,760
Total U.S. Department of Education				<u>502,434</u>
TOTAL FEDERAL FINANCIAL AWARDS				<u>\$ 662,344</u>

EMINENCE INDEPENDENT BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2005

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Eminence Independent Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued (unqualified):

Internal control over financial reporting:

- Material weakness(es) identified? _____yes _____Xno
- Reportable condition(s) identified that are not considered to be material weaknesses? _____yes _____Xnone reported

Noncompliance material to financial statements noted? _____yes _____Xno

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes _____Xno
- Reportable condition(s) identified that are not considered to be material weakness(es)? _____yes _____Xnone reported

Type of auditor's report issued on compliance for major programs (unqualified):

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____yes _____Xno

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
84.027	IDEA

Dollar threshold used to distinguish Between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____yes _____Xno

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

EMINENCE INDEPENDENT BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2005

There were no prior year audit findings.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.

JAMES CLOUSE, C.P.A.

BERNADETTE SMITH, C.P.A.

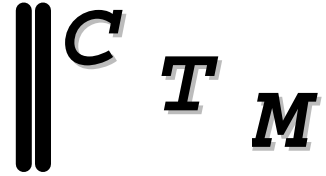
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INDEPENDENT AUDITOR'S REPORT

Members of the Eminence Independent
Board of Education
Eminence, Kentucky

We have audited the financial statements of Eminence Independent Board of Education as of and for the year ended June 30, 2005 and have issued our report thereon dated October 31, 2005. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and state audit requirements.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eminence Independent Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eminence Independent's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted other certain matters that we reported to management of Eminence Independent Board of Education, in a separate letter dated October 31, 2005.

This report is intended solely for the information and use of the members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Eminence Independent School District, The Kentucky Department of Education management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charles T. Mitchell Co.

October 31, 2005

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.

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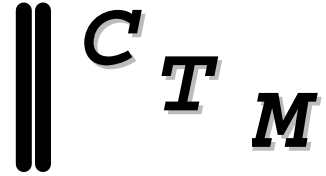
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INDEPENDENT AUDITOR'S REPORT

Members of the Eminence Independent
Board of Education
Eminence, Kentucky

Compliance

We have audited the compliance of Eminence Independent Board of Education, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Eminence Independent Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Eminence Independent Board of Education's management. Our responsibility is to express an opinion on Eminence Independent Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and state audit requirements. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eminence Independent Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eminence Independent Board of Education's compliance with those requirements.

In our opinion, Eminence Independent Board of Education, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005

Internal Control Over Compliance

The management of Eminence Independent Board of Education, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Eminence Independent Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that

would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract - State Audit Requirements.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Eminence Independent Board of Education, the Kentucky Department of Education management and federal awarding agencies and pass-through entities. and is not intended to be and should not be used by anyone other than these specified parties.

Charles T. Mitchell Co.

October 31, 2005

MANAGEMENT LETTER COMMENTS

Charles T. Mitchell Company, LLP

Certified Public Accountants

WILLIAM G. JOHNSON, JR., C.P.A.

JAMES CLOUSE, C.P.A.

BERNADETTE SMITH, C.P.A.

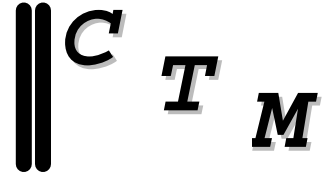
KIM FIELD, C.P.A.

GREG MIKLAVCIC, C.P.A.

Consultants

CHARLES T. MITCHELL, C.P.A.

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Members of the Eminence Independent

Board of Education

P.O. Box 146

Eminence, Kentucky 40601

In planning and performing our audit of the financial statements of Eminence Independent Board of Education for the year ended June 30, 2005, we considered the District's internal control structure to determine our auditing procedure for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding this matter. A separate report dated October 31, 2005 contains our report on reportable conditions and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 31, 2005 on the financial statements of the Eminence Independent Board of Education.

Findings

1. A review of activity fund deposits disclosed a failure to follow the Accounting Procedures for School Activity Funds manual. Athletic ticket sales receipts were not deposited intact. It appeared that these receipts were being used to cash personal checks of individuals. Deposit of these receipts were not always made on a timely basis. It is recommended that these receipt deposits be made intact and timely.

Follow-Up On Prior Year Recommendations

1. In the prior year, it was reported that certain activity fund purchasing procedures were not being properly followed. It appears that the situation has been addressed and greatly improved.

We have enjoyed working with the management and staff of the Eminence Independent Board of Education and look forward to a continuing, mutually productive relationship.

Respectfully submitted:

Charles T. Mitchell Co.

Charles T. Mitchell Co.

October 31, 2005

RESPONSE TO MANAGEMENT LETTER

BOARD OF EDUCATION

Ben Coomes
Chairperson

Brenda Chism
Vice Chairperson

Pam Morehead-Johnson

Anthony Adams

Daniel Fisher



EMINENCE
INDEPENDENT
SCHOOLS

ADMINISTRATION

David A. Baird
Superintendent

Steve Frommeyer
High/Middle School Principal

Mike Doran
Elementary School Principal

October 27, 2005

The Eminence Independent School District respectfully submits the following report to address the findings in the audit of the funds for the 2004-05 school year.

Name and Address of the Independent Public Accounting Firm:

Charles T. Mitchell Company, LLP
201 West Main, P.O. box 698
Frankfort, Kentucky 40602-0698

Audit Period:

July 1, 2004 to June 30, 2005

Findings

1. A review of activity fund deposits disclosed a failure to follow the Accounting Procedures for School Activity Funds manual. Athletic ticket sales receipts were not deposited intact. It appeared that these receipts were being used to cash personal checks of individuals. Deposits of these receipts were not always made on a timely basis. It is recommended that these receipt deposit be made intact and timely.

Report of Actions and Follow Up

1. On October 7, 2005, the Interim Superintendent, Finance Officer, Bookkeeper, Middle/High School Principal met with the auditors to hear the issues and concerns.
2. On October 7, 2005, an e-mail was sent to the Middle/High School Principal, Bookkeeper and Elementary Principal stating the following expectations from the Interim Superintendent and Finance Officer; that no more check cashing would take place through the activity funds; funds should be deposited in a timely manner; there would be separate account for each activity.
3. On October 24, 2005, after the two week fall break, the Food Service Director and the School Bookkeeper sent out an e-mail to staff that there would no longer be cashing checks at the school.

Building On A Tradition Of Excellence

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